



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

CC
CST
FST
MR Michelson
MR Bailey
MR Anson
MR Battisill
MR Culpin
MR Grimstone
MR Houston
MR Purie
Dr Rickard
MR Robson

19 December 1983

MR R Wilson
MR C Palmer
MR Lewis
MR Portillo

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON SW1

Norman Tebbit

CORPORATE PLANNING IN THE NATIONALISED INDUSTRIES

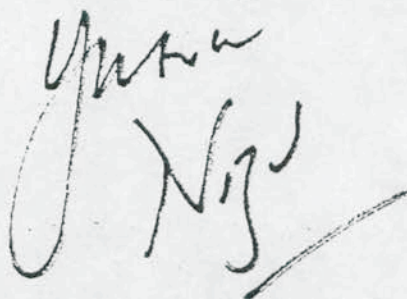
At E(NI) (83) 6th Meeting we agreed that in future discussions of the nationalised industries we should concentrate on the major strategic issues for the industry concerned and we asked officials to consider how the arrangements for collective Ministerial discussions of the nationalised industries might be improved. The Official Committee on Nationalised Industry Policy (NIP) subsequently carried out a review and its results are summarised in the enclosed guidelines.

I know we are all anxious to ensure that the corporate planning procedures we apply to the nationalised industries are as streamlined as possible and avoid any unnecessary bureaucracy. The guidelines aim to secure an annual collective review of each industry based on a corporate plan produced by the industry and a performance review prepared by the sponsor Department. If there is a need to alter the strategic direction of an industry, the review will concentrate primarily on this aspect.

The underlying intention of the corporate planning procedures is to allow us to understand and control the industries as businesses. I am sure it makes sense to complete this process before annual decisions are taken on public expenditure and the timetable attached to the guidelines has been drawn up with this in mind. I think it is helpful to have a yardstick of this sort, although of course I accept that both the timetable and the guidelines will need to be interpreted flexibly in the light of the circumstances of individual industries.

The Nationalised Industries' Chairmen's Group (NICG) have a continuing interest in corporate planning arrangements and it is one of the subjects on the agenda for our January dinner with them. Officials have had some informal contact with the NICG about the guidelines but there has been no recent formal exchange of views. Since the guidelines represent a streamlining of present procedures rather than a radical recasting, they will, I trust, be accepted by the industries, albeit reluctantly. I am anxious that the new arrangements should be implemented quickly and would therefore like to tell the NICG of our intentions as soon as possible, provided you and other colleagues are content.

I am sending a copy of this letter to the Prime Minister, to other members of E(NI) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'. The signature is written in a cursive, somewhat stylized hand. The first name 'Nigel' is written in a larger, more prominent script, with 'Lawson' written below it in a smaller, more compact script. There is a long horizontal stroke extending from the end of the signature.

NIGEL LAWSON

NATIONALISED INDUSTRY PLANNING

Guidelines

Sponsor Ministers are expected under existing arrangements to agree broad long-term objectives with the Chairmen and Boards of their nationalised industries. These objectives will be mainly qualitative, should be consistent with the Board's statutory duties and will provide a basis for any financial targets and performance aims. Such objectives have already been agreed for a number of industries.

2. These objectives have to be translated into an agreed strategy in consultation between sponsor Ministers and industry Boards. Normally the strategy will require discussion by Ministers collectively, initially and whenever important changes are being proposed. Sponsor Departments and industries will need to consider each year whether the existing strategy is still appropriate or whether alternative strategic options should be explored. This might conveniently be done in the Autumn, but the precise timetable will depend on the nature of the issues involved and the work already done on them. If a review of strategy is indicated, the resulting paper for Ministers should set out any options for achieving the objectives and identify the matters for collective decision.

3. The industries will prepare annually new or updated Corporate Plans and submit them to their sponsor Ministers normally no later than early March each year although the exact timing will depend on industries' individual planning cycles. These Plans should be consistent with the agreed strategy. They should summarise the main developments since the preceding Corporate Plan, and describe and quantify as far as possible expected future business developments. The Plans should normally span a 3-5 year period.

4. As background to the industries' Corporate Plans, officials in sponsor Departments should review each year the performance of each nationalised industry and produce a summary suitable for consideration by Ministers.

5. The outcome of the work described in paragraphs 2-4 above will be a review each Spring of an industry's past performance and expected future development. If major strategic issues need to be settled, the review should concentrate primarily on this aspect. If the previous strategy remains appropriate the review will focus on the implications of the Corporate Plan which (together with the review of performance) should be summarised by sponsor Departments and circulated to Ministers. This can be either for collective discussion or cleared in correspondence depending upon the importance of the industries and the issues involved. The entire process should be completed in time to influence the annual Investment and Financing Review which is carried out from May to October.

6. All papers prepared for Ministerial discussion or consideration should be crisp and sharply focused. They should propose the major points which are to be conveyed to the industry concerned.

7. The attached Annex indicates the inter-relationship and timing of the various elements in the planning cycle. Although the intention would be to conform to this timetable so far as possible, it is recognised that in practice Ministers' discussions about particular industries may take place at other times. The system will therefore need to be operated flexibly.

TIMETABLETimingActivity

As agreed for
each industry

Sponsor Ministers and Boards consider whether existing strategy is still appropriate. If changes seem indicated, review of strategy commissioned.

January-March

Industries submit Corporate Plans to sponsor Ministers (incorporating if appropriate a review of strategy).

March-June

Performance Reviews and Corporate Plans considered by sponsor Ministers. Summaries circulated to Ministers for collective discussion in important cases. Outcome communicated to industries.

April/May

Investment and Financing Review material submitted.

August/September

IFR material updated if appropriate.

July-October

IFR decisions taken by Ministers.

November

EFL for coming year announced in Autumn Statement. External financing baselines for Years 2 & 3 of IFR communicated to industries.

December

Investment allocations for Years 1, 2 & 3 of IFR communicated to industries.



10 DOWNING STREET

From the Private Secretary

Prime Minister ⁽²⁾

To note proposed timetable integrating

- (i) objectives agreed with Chairmen
- (ii) strategy
- (iii) annual corporate plan
- (iv) Investment and Financing Review at the end of which the EFL is set.

Agree endorse these procedures

AT 22/12

Yes no

Not in
Bel



10 DOWNING STREET

Prime Minister

mt

In total nationalised
industries EFL's are
projected to undershoot
by £ 66 million in 1983-84

This is the result of
offsetting changes, mainly

- NCB £ 215m overshoot -
- British Shipbuilders £ 136m overshoot -
- ESI £ 172m undershoot -
- BT £ 104m undershoot -

AT

20/12

bc N.Owen

JD



cc-DOE
SO
DTI
DTrans
CS, HMT
DN
DM
COLO
CO

10 DOWNING STREET

From the Private Secretary

23 December 1983

CORPORATE PLANNING IN THE
NATIONALISED INDUSTRIES

The Prime Minister has seen the Chancellor's letter to the Secretary of State for Trade and Industry of 19 December. She is content with the procedures set out linking the establishment of long-term objectives for nationalised industries, the preparation of agreed strategies, the examination of corporate plans and the establishment of EFLs.

I am sending copies of this letter to the Private Secretaries to Members of E(NI) and to Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

John Kerr, Esq.,
HM Treasury.



JF5235

Secretary of State for Trade and Industry

NBPM AF 9/11 cc NO

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

9 January 1983

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

D. Noyel.

CORPORATE PLANNING IN THE NATIONALISED INDUSTRIES

Thank you for your letter of 19 December and the enclosed guidelines on corporate planning procedures.

2 I believe that the guidelines are basically acceptable and I am content for you to inform the NICG of our intentions. I am glad that you have stressed the need for the guidelines to be interpreted as flexibly as possible with regard to the particular problems of each industry. This will be particularly important for British Telecom, where I anticipate that this year the corporate planning process will be dominated by the over-riding need to prepare BT for privatisation in the autumn. You will also appreciate that, for an industry such as BSC, whose plans are subject to alteration arising from national and international market developments, close adherence to the timetable is likely to prove unrealistic.

3 More generally, I should like to consider the way in which we have monitored the progress of nationalised industries between annual reviews. With the recruitment of better chairmen and management for a number of our nationalised industries, and the provision of better management information there may well be scope to cut back on some of the detailed work and second guessing that was previously necessary - throughout the year.

4 I am sending a copy of this letter to the recipients of yours.

NORMAN TEBBIT

CAO

NBPM

AT

20/2

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chamber
Parliament Street
LONDON
SW1P 3AG

20 February 1984

Nigel

CORPORATE PLANNING IN THE NATIONALISED INDUSTRIES

Thank you for your letter of 19 December, proposing new guidelines for corporate planning procedures.

I find the guidelines basically acceptable and agree that you should inform the NICG of them. I have seen the comments from Norman Tebbit, Nicholas Ridley and George Younger, and endorse their emphasis on the need for flexibility in interpreting the guidelines and timetable.

I am copying this letter to the recipients of yours.

Peter Walker

PETER WALKER

NAT (ND)
Policy
R & J



ZU SAN 1984



NBPN AT 26/1 ce NO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

January 1984

Dear Nigel,

CORPORATE PLANNING IN THE NATIONALISED INDUSTRIES

Thank you for your letter of 19 December proposing new guidelines for corporate planning procedures.

I agree that it is useful to establish a framework of the kind you suggest, though I agree with Norman Tebbit and Nicholas Ridley, whose comments I have seen, that to achieve the best results we must be prepared to operate the arrangements flexibly.

For the Scottish Electricity Boards the guidelines do not match the existing timetable for the production of corporate plans. The real need, however, is to ensure that we have a proper and timely opportunity for collective ministerial consideration of the Boards' performance and the strategic options facing them, and I have made arrangements, with which I understand your officials are broadly content, to ensure this. For the Scottish Transport Group we can comply with the guidelines provided they are operated with a sensible degree of flexibility.

I am copying this letter to the recipients of yours.

*Yours ever,
George.*



NAPM
AT 15/1
CNO

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

12 January 1984

Dear Nigel

Thank you for your letter of 19 December seeking agreement to the revised guidelines and timetable on corporate planning procedures for the nationalised industries.

I am sure that it is right that we should try to achieve a proper review of each industry, with proper feedback to the industries, before we come to the annual public expenditure decisions, and I will certainly do my best to secure just that for my industries, subject as you say to the inevitable flexibility we must have in individual cases.

My only reservation is on the point, which your officials already know, that it would not help this if we were to try to insist that the industries must submit their own Corporate Plans by the end of March. This may not be at all compatible with their own planning cycles, and indeed they might well think it rather demanding of us if we give them only four months to prepare their corporate plans after setting their EFLs and investment authorisations, and then take eight months ourselves before we come to the next round of decisions. If the NICG were to ask us to look again at that point, I certainly think it would be right to agree. But I do not think that that should prevent us adhering to the timetable for our own internal purposes, because I and my officials should be sufficiently in touch with the industries to provide the necessary input to our discussions at the right time.

I am sending a copy of this letter to the Prime Minister, to other members of E(NI) and to Sir Robert Armstrong.

Tomson
Nicholas

NICHOLAS RIDLEY